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State of Idaho

Legislative Services Office

Management Report

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A communication to the Joint Finance-Appropriations Committee

# **DIVISION OF FINANCIAL MANAGEMENT**

## **FY 2005, 2006, and 2007**

**Report IC18007**  
**Date Issued: November 13, 2007**

*Serving Idaho's Citizen Legislature*

# FOREWORD

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## **PURPOSE OF REPORT**

We evaluated the internal controls over financial operations of the Division of Financial Management as part of our effort to evaluate each State agency at least once every three years. This report summarizes the results of our evaluation.

## **SCOPE OF WORK**

The management of the Division is responsible for establishing and maintaining internal controls. We obtained an understanding of the relevant policies and procedures comprising the internal control system. We also determined whether the relevant policies and procedures had actually been placed into operation. Our intent was to indicate where internal controls could be improved in order to help ensure the Division's ability to record, process, summarize, and report financial data accurately.

## **AUDIT AUTHORIZATION**

Reported to the Joint Finance-Appropriations Committee as directed by the Legislative Council of the Idaho Legislature, authorized by Idaho Code, Section 67-429.

## **ASSIGNED STAFF**

Brinton Croff, Staff Auditor

## **ADMINISTRATION AND TECHNICAL REVIEW**

Don H. Berg, CGFM, Manager, Legislative Audits Division  
Chris Farnsworth, CPA, Managing Auditor

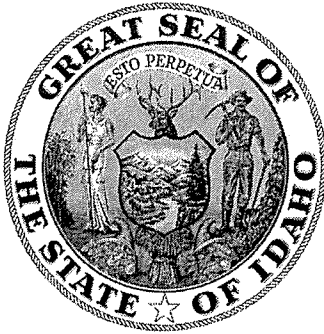
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## EXECUTIVE SUMMARY LEGISLATIVE AUDITS

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### DIVISION OF FINANCIAL MANAGEMENT

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**PURPOSE AND SCOPE.** We performed certain audit procedures to evaluate the effectiveness of the Division of Financial Management's internal control design and operation. The limited scope of our procedures does not allow us to give an opinion on the Division's internal control system. Accordingly, we do not express an opinion or ensure that all instances of internal control weaknesses were disclosed. Our purpose was to indicate where internal controls could be strengthened to help ensure accurate financial statements and data. Any findings and recommendations are intended to improve the internal control system to prevent errors, omissions, misrepresentations, or fraud.

**CONCLUSION.** We noted no matters involving the internal control over the Division's financial reporting or its operation that we considered to be material weaknesses. However, our consideration of internal controls would not necessarily disclose all matters considered to be a material weakness.

**FINDINGS AND RECOMMENDATIONS.** There are no findings and recommendations in this report or the prior report.

**AGENCY RESPONSE.** The Division has reviewed this report and is in general agreement with its contents.

**FINANCIAL SUMMARY.** The Division finances most of its activities with a General Fund appropriation. The fiscal year 2007 appropriation was approximately \$2 million.

The Division assesses a statewide cost allocation for services by the State Treasurer's Office, the State Controller's Office, and part of the Attorney General's Office. This money is deposited in the Indirect Cost Recovery Fund and then transferred to the State's General Fund. The Division also collects fees for providing accounting services to the Governor's Office, the Office of Species Conservation, the Lieutenant Governor's Office, and the State Appellate Public Defender's Office. These fees are deposited in the Miscellaneous Revenue Fund.

The following financial data is presented for informational purposes only.

**DIVISION OF FINANCIAL MANAGEMENT – FY 2007 FINANCIAL SUMMARY**

	General Fund 0001	Indirect Cost Recovery Fund 0125	Miscellaneous Revenue Fund 0349
Beginning Balance/Appropriation	\$2,121,000	\$0	\$49,708
Receipts	0	16,568,141	181,556
Total Cash Available	<u>\$2,121,000</u>	<u>\$16,568,141</u>	<u>\$231,264</u>
Personnel Costs	\$1,670,423	\$0	\$125,231
Operating Expenditures	285,985	0	40,962
Capital Outlay	25,828	0	0
Transfers Out	0	16,568,141	0
Total Disbursements	<u>\$1,982,236</u>	<u>\$16,568,141</u>	<u>\$166,193</u>
Ending Cash/Appropriation	<u>\$138,764</u>	<u>\$0</u>	<u>\$65,071</u>

**OTHER ISSUES.** Legislative auditors discussed other matters with the Division's management which, if addressed, would improve internal control, compliance, and efficiency.

This report is intended solely for the information and use of the Division of Financial Management and the Idaho Legislature and is not intended to be used by anyone other than these specified parties.

We appreciate the cooperation and assistance given to us by the administrator, Wayne Hammon, and his staff.

**QUESTIONS CONCERNING THIS DOCUMENT SHOULD BE DIRECTED TO:**

Don H. Berg, CGFM, Manager, Legislative Audits Division

Chris Farnsworth, CPA, Managing Auditor

# AGENCY RESPONSE

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State of Idaho

## **DIVISION OF FINANCIAL MANAGEMENT**

Executive Office of the Governor

C.L. "Butch" Otter  
Governor  
Wayne L. Hammon  
Administrator

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October 22, 2007

Mr. Don H. Berg, CGFM  
Manager, Legislative Audits Division  
Legislative Services Office  
Statehouse Mail  
Boise, Idaho

SUBJECT: Audit of FY 2005, 2006, and 2007

Dear Mr. Berg:

I would like to thank your staff, Managing Auditor Chris Farnsworth and Staff Auditor Brinton Croff, for their professionalism during the "internal control" audit work for the Division of Financial Management. The Division of Financial Management concurs with the Management Report on Internal Control.

As always it is a pleasure to work with your staff and yourself. We appreciate your assistance and professionalism.

Sincerely,  
A handwritten signature in black ink, appearing to read "Wayne L. Hammon".

Wayne L. Hammon, Administrator  
Executive Office of the Governor  
Division of Financial Management

# APPENDIX

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## HISTORY

The Division of Financial Management was created in 1980, as part of the Executive Office of the Governor. The Division's primary function is to assist the Governor in his duty as Chief Budget Officer of the State. This assistance is carried out by three functional units within the Division – the Budget Bureau, the Economic Analysis Bureau, and the Management Services Bureau.

## ORGANIZATION

The Budget Bureau provides analyses and recommendations to the Governor on both budget-related policy issues and all legislation. The Bureau is also responsible for the preparation of the executive budget and the explanation of detailed elements of that budget to the legislature.

The Economic Analysis Bureau is responsible for developing and maintaining economic and demographic forecasting capabilities for the State. The Bureau provides State government revenue projections and publishes economic projections and analyses on a regular basis.

The Management Services Bureau has two major responsibilities. First, it provides accounting services to the Division of Financial Management, the Governor's Office, the State Appellate Public Defender's Office, the Lieutenant Governor, and Species Conservation. Second, the Bureau has primary responsibility for statewide issues involving federal guidelines such as cost allocation, single audit tracking, and cash management.

## STATUTORY AUTHORITY

The statutory authority for the Division is Title 67, Chapters 19 and 35 of the Idaho Code.

## FUNDING

The Division receives the majority of its funding from a State General Fund appropriation.

## ORGANIZATION CHART

The Division's organizational chart is on the following page.



**Executive Office of the Governor  
Division of Financial Management**

